

AGAINST THE MAINSTREAM: NAZI PRIVATIZATION IN 1930S GERMANY

GERMÀ BEL*

Professor of Economics at Universitat de Barcelona &
Visiting Scholar at Harvard University (KSG).

Abstract:

The Great Depression spurred state ownership in Western capitalist countries. Germany was no exception; the last governments in the Weimar Republic took over firms in diverse sectors. Later, the Nazi regime transferred public ownership and public services to the private sector. In doing so, they went against the mainstream in the Western capitalistic countries, none of which systematically reprivatized firms during the 1930s. Privatization in Nazi Germany was also unique in transferring to private hands the production of public services previously delivered by government. Both the firms and the services transferred to private ownership belonged to diverse sectors. Privatization was part of an intentional policy with multiple objectives and was not ideologically driven. As has been usual in recent privatizations, particularly within the European Union, strong financial restrictions were a central motivation. In addition, privatization was used as a political tool to enhance support for the government and to reinforce support to the Nazi Party.

Key Words: Privatization, Public Enterprise, Nazi Economy, Germany.

JEL Codes: G38, L32, L33, N44

Contact data:

Germà Bel
Dep. Política Econòmica i EEM. Torre 6, planta 3
Facultat d'Econòmiques – UB
Avd. Diagonal 690
08034 Barcelona – SPAIN
Tel: 34.93.4021946 e-mail: gbel@ub.edu

* This research has received financial help from the Fundación Rafael del Pino, and from the Spanish Ministry of Science and Technology under the Project BEC2003-01679. A preliminary version of the paper was presented at Georgetown University. Comments and suggestions from Xavier Coller, Jost Dülffer and Luis Quiroga have been useful. I am thankful to Benedikt Kronberger for his help in translating from German. I am fully responsible for remaining errors.

AGAINST THE MAINSTREAM: NAZI PRIVATIZATION IN 1930s GERMANY

I. Introduction

Privatization of large parts of the public sector has been one of the defining policies of the last quarter of the twentieth century. The privatizations in Chile and the United Kingdom, implemented beginning in the 1970s and 1980s, are usually considered the first privatization policies in modern history (e.g. Yergin and Stanislaw, 1998, p.115). A few researchers find earlier instances. Some economic analyses of privatization (e.g. Megginson, 2005, p. 15) identify partial sales of state-owned firms implemented in Adenauer's Germany in the late 1950s and early 1960s as the first large-scale privatization program, and others argue that, although confined to just one sector, the denationalization of steel and coal in the United Kingdom during the early 1950s should be considered the first privatization (e.g. Burk, 1988; Megginson and Netter, 2003, p. 31).

None of the contemporary economic analyses of privatization takes into account an earlier and important experience: the privatization policy applied by the Germany's National Socialist Party (Nazi Party). The lack of reference to this early privatization experience in the modern literature on privatization is consistent with its invisibility in either the recent literature on the Germany economy in the twentieth century (e.g. Braun, 2003) or the history of Germany's publicly owned enterprise (e.g. Wengenroth, 2000). Occasionally, some authors mention the re-privatization of banks with no additional comment or analysis (e.g. Barkai, 1990, p. 216; James, 1995, p. 291). Other works, like Hardach (1980, p. 66) and Buchheim and Scherner (2005, p. 17), mention the sale of state ownership in Nazi Germany only to support the idea that the Nazi government opposed widespread state ownership of firms. However, they do not carry out any analysis of these privatizations.

It is a fact that the government of the National Socialist Party sold off public ownership in several state-owned firms in the middle of the 1930s. The firms belonged to a wide range of sectors: steel, mining, banking, local public utilities, shipyard, ship-lines, railways, etc. In addition to this, delivery of some public services produced by public administrations prior to the 1930s, especially social services and services related to work, was transferred to the private sector, mainly to several organizations within the Nazi Party. In the 1930s and 1940s, many academic analyses of the Nazi Economic Policy commented the privatization policies in Germany (e.g. Poole, 1939;

Guillebaud, 1939; Stolper, 1940; Sweezy, 1941; Merlin, 1943; Neumann, 1942, 1944; Nathan, 1944a; Schweitzer, 1946; Lurie, 1947).¹

Most of the enterprises transferred to the private sector at the Federal level had come into public hands in response to the economic consequences of the Great Depression. Many scholars have pointed out that the Great Depression spurred state ownership in Western capitalist countries (e.g. Aharoni, 1986, pp. 72 and ff.; Clifton, Comín and Díaz Fuentes, 2003, p. 16; Megginson, 2005, pp. 9-10), and Germany was no exception. Germany, however, was alone in developing a policy of privatization in the 1930s. Hence, a central question remains: Why did the Nazi regime depart from the mainstream on state ownership of firms?² Why did Germany's government transfer firms and public functions to the private sector while the other Western countries did not so?

Answering these questions requires an analysis on the objectives of Nazi privatization. While some of the analyses in the 1930s and 1940s are valuable, their authors lacked the theories, concepts and tools needed to complete the analysis. Recent economic literature has shown the multiplicity of objectives usually targeted by privatization policies (Vickers and Yarrow, 1988, 1991) and the general and widespread priority of financial objectives within the larger framework of multiple and coexisting objectives (Yarrow, 1999). In addition, modern theoretical developments have provided valuable insights into the motives of politicians choosing between public ownership and privatization (Shleifer and Vishny, 1994) and the consequences of each option on political rent seeking, through either excess employment or corruption and financial support (Hart, Shleifer and Vishny, 1997). Also, the theoretical literature has provided interesting results concerning the use of privatization to obtain political support (e.g. Perotti, 1995; and Biais and Perotti, 2002).

¹ Other less academic works from this period, with essay characteristics, also comment on the privatization in Nazi Germany [e.g. Reimann (1939) and Heiden (1944)].

² A recurring question in the literature on Nazi Economic Policy is why the Nazis refrained of implementing a policy of wide-scale nationalization of private firms [See Buchheim and Scherner (2005) for a recent example]. Indeed, this question is interesting since Nazi official economic program and Nazis electoral manifestos regularly included this proposal. However, it is not a central concern of this paper. Although it is worthwhile noticing that by avoiding large-scale nationalization, the Nazi government joined the mainstream in Western capitalist countries, which were, in the 1930s, more prone to intervention through regulation and fiscal policy. As explained in Megginson (2005, p. 10), nationalization of private firms was not a relevant policy in Western capitalist countries after the worst phase of the Great Depression was over.

With the analysis of privatization in Nazi Germany this paper seeks to fill a hole in the economic literature. On one hand, I extensively document the course of privatization in the period from the Nazi take over of government until 1937.³ These limits are sensible because all the relevant reprivatization operations had been concluded before the end of 1937. Some of the privatization operations explained in this paper have not been previously noticed in the literature. On the other hand, analyzing the Nazi privatization with the tools of modern theories and concepts allows us to conclude that the objectives pursued by the Nazi government were multiple. Of particular relevance were increased political support and, especially, a combination of increased revenue and expenditure relief to the German Treasury. In short, these motives are quite similar to those that have driven privatization policies in most of the EU countries.⁴

The rest of the paper is organized as follows. First, I document the Nazi privatization policy, and I compare its quantitative relevance to that of more recent privatizations. Then, I discuss the analyses of Nazi privatization in the economic literature of the late 1930s and 1940s. After this, I analyze the objectives of privatization policy in Nazi Germany. Finally, I conclude.

II. Selling public ownership.

In an article published in the *Der Deutsche Volkswirt* in February 1934, Heinz Marschner proposed “The reprivatization of urban transportation, which after the period of inflation came under public control, especially in the hands of local governments.” (Marschner 1934, p. 587, author’s translation). This proposal was related to the Nazi government position in favor of giving the ownership of urban transportation back to the private sector. Several months later, in an article discussing banking policy in Germany, Hans Baumgarten (1934, p. 1645) analyzed the conditions to be met in order to go ahead with reprivatization in the German banking sector. Discussion of privatization was increasingly in the air soon after the Nazi government took office early in 1933, and privatizations soon followed.

³ Choosing this period is also very useful because this permits avoiding confusion between privatization and the aryanization process. As explained by James (2001, p. 38-51), after 1936-37 there was an intensification of the aryanization process, in what was a “state-driven aryanization.” Many of the largest Jewish-owned businesses had survived until 1938. The anti-Jewish apogee was reached in November 1938, in the pogrom of the so-called *Reichskristallnacht*. In addition, analyzing Nazi privatization until 1937 permits avoiding confusion with the business processes put forward after the annexation of successive territories, beginning with Austria in 1938.

⁴ Mention has to be made to the fact that the general orientation of the Nazi economic policy was the opposite one to the EU countries in the late 1990s. Whereas modern privatization in the EU has been parallel to liberalization policies, in Nazi Germany privatization was applied within a framework of increasing control of the state over the whole economy through regulation and political interference.

Railways: In the 1930s The *Deutsche Reichsbahn* (German Railways) was the largest single public enterprise in the world (Macmahon and Dittmar 1939, p. 484), and it aggregated most of the railways services operating within Germany. The German Budget for fiscal 1934/35, the last one published (Pollock, 1938, p. 121), established that Railway preference shares⁵ were to be sold to the extent of Reichsmark (Rm.) 224 million.⁶

Steel and mining: In 1932, the German government bought more than 120 million marks of shares of *Gelsenkirchen Bergbau* (Gelsenkirchen Mining Company), the strongest firm within the *Vereignite Stahlwerke A.G.* (United Steelworks).⁷ At that time, the United Steel Trust was the second largest joint-stock company in Germany (the largest was Farben Industrie A.G.). The state took over the shares at 364 percent of their market value (Wengenroth, 2000, p. 115). Reasons given for the nationalization have been various: a) to have effective control the United Steel Trust (*The Economist*, July 8, 1933, 117 (4689), p. 73), b) to socialize costs derived from the effects of the Great Depression (Neumann, 1944, p. 297): and c) to prevent foreign capital taking over the firm (Wengenroth, 2000, p. 115).

Soon after the Nazi party took power, United Steel was reorganized so that the government majority stake of 52 per cent was converted into a stake of less than 25 per cent, no longer sufficient in German law to give the government any privileges in company control.⁸ Fritz Thyssen, who held the leading position in the Trust, had been one of only two big industrialists to give support to the Nazi Party before it won political dominance (Barkai, 1990, p. 10). In 1936, the Government sold its block of shares, amounting to about Rm. 100 million, to the United Steel Association.⁹

The company *Vereinigte Oberschlesische Hüttenwerke AG* concentrated all metal production in the Upper Silesian coal and steel industry. The *Seehandlung* (Prussian state bank) owned 45 per cent

⁵ After the I World War, the Reichsbahn had been reorganized as independent institution and its capital had been formally detached from the Reich's property (Wengenroth, 2000, p. 111). Within this context, common shares and preference shares were issued. Common shares were direct ownership of the Reich, and most of preferred shares were allocated initially to the Reich. The government could sell thereafter these preferred shares (Macmahon and Dittmar, 1940, pp. 35-38).

⁶ *The Economist*, April 7, 1934 [118 (4728), p. 763]. Besides the sale of German Railway shares, *The Economist* also mentioned another sale of public property to be done: "The Reich property, which is to be "liquidated" to yield Rm. 300 millions, is not defined."

⁷ *The Economist*, March 28, 1936 [122 (4831), p. 701].

⁸ Kühlmann (1934, pp. 391-392) explains the reorganization in detail.

⁹ Kruk (1936a, p. 319) and Reich-Kredit-Gesellschaft (1937, p. 55)

of this firm. The remaining shares were owned by *Castellengo-Abwerh*, one of the most significant Upper Silesian coal mines. *Castellengo's* capital was owned by *Ballestrem*. By mid 1937, the state's Rm. 6.75 million of shares were sold to *Castellengo*.¹⁰

Banking: Before the crash of 1929 publicly owned commercial banks accounted for at least 40 per cent of the total assets of all banks (Stolper 1940, p. 207), and one of the five big commercial banks, the Reichs-Kredit-Gesellschaft, was publicly owned. The state was involved in the reorganization of the sector after the bank crash in 1931 with an investment of about Rm. 500 million (Ellis, 1940, p. 22), and most of the big banks came under state control. Estimates made before the Banking Inquiry Committee in 1934 by Hjalmar Schacht, president of the Reichsbank and Minister of Economy, pointed out that around 70 per cent of all German corporate banks was controlled by the Reich (Sweezy, 1941, p. 31). Through the Reich or the *Golddiskontbank*, the government owned significant stakes in the largest banks:¹¹ 38.5 per cent of *Deutsche Bank und Disconto-Gesellschaft* (Deutsche Bank henceforth), 71 per cent of the *Commerz- und Privatbank* (Commerz-Bank henceforth) and 97 per cent of the capital of *Dresdner-Bank*.¹²

The Commerz-Bank was reprivatized through several shares sales in 1936-37. These shares amounted to Rm. 57 million, and the largest single transaction was a sale of Rm. 22 million in October 1936.¹³ Deutsche Bank was reprivatized in several operations effectively implemented in 1935-37. The largest was the repurchase in March 1937 of shares still held by the Golddiskontbank. These shares amounted to Rm. 35 million and Deutsche Bank placed them among its clients. In total, the reprivatization of Deutsche Bank shares amounted to Rm. 50 million.¹⁴ Finally, the Dresdner Bank was also reprivatized in several shares sale in 1936-37. These

¹⁰ *Der Deutsche Volkswirt*, July 9, 1937 [11 (41), pp. 2020-21].

¹¹ The degree of control exercised by the state in the Big Commercial banks by means of public ownership is open to discussion. Most likely, state interference through ownership was varying according to the relevance of the publicly owned stake. Whereas interference in the Deutsche Bank was relatively light [Feldman (1995, p. 272), James (2004, p. 45-49)], intervention in the Dresdner Bank was very intense [James (2001, p. 16), Feldman (2004, p. 23)]. In any case, the reform of banking regulation that began with the German Bank Act of 1934 allowed the government to exercise a tight control over private banks. Dessauer (1935) provides an extensive explanation of the German Bank Act of 1934; Nathan (1944b) adds information on subsequent changes in regulation.

¹² Baumgarten (1937, pp. 826-827). Other relevant stakes of the state in banks were 70 per cent of the *Allgemeine Deutsche Kreditanstalt*, and 66.6 per cent of the *Norddeutsche Kreditbank* (Sweezy, 1941, p. 31). Russell (1935, p. 204-208) offers a detailed analysis of the ownership relations between the Reich and the commercial banks.

¹³ Kruk (1936a, p. 319), *The Economist*, April 3, 1937 [127 (4884), p. 16], Reichs-Kredit-Gesellschaft (1937, p. 55), League of Nations (1937, p. 77), League of Nations (1938, p. 92).

¹⁴ Baumgarten (1937, pp. 826-7)], *The Economist*, April 3, 1937 [127 (4884), p. 16], League of Nations (1938, p. 92).

shares amounted to Rm. 141 million, and the largest single sale was of Rm. 120 million in September 1937.¹⁵

Ship building. In March 1936, a group of Bremen merchants purchased a block of shares of the *Deutschen Schiff-und Maschinenbau AG Bremen "Deschimag"* (German Shipbuilding and Engineering Co.). The sale amounted to Rm. 3.6 million.¹⁶

Shipping lines. In September 1936 publicly owned shares of the *Hamburg-Südamerika* shipping company were sold to a Hamburg Syndicate.¹⁷ The sale of shares amounted Rm. 8.2 million.¹⁸ In mid 1937, the publicly owned *Norddeutscher Lloyd* (North German Lloyd), part of the VIAG public holding,¹⁹ sold its remaining shares in the steamship company *Hansa Dampf* to a consortium made up of the Deutsche Bank & Berliner Handels-Gesellschaft. The sale of shares amounted Rm. 5 million.²⁰

Local public utilities. The Nazi government imposed several types of limitations and obstacles on municipally owned enterprises. Since 1935 the municipal firms were subject to taxation (Sweezy, 1941, p. 32). Administrative and financial requirements were made more restrictive (Marx, 1937, p. 142; Pollock, 1938, p. 145). Privatization of local public utilities was important beginning in 1935 (Sweezy 1940, 394). Data presented in Sweezy (1941, p. 33) on income from enterprises owned by municipalities show that in 1934 the revenue was Rm. 494 million, up from Rm. 481 million in 1933. In 1935 the revenue decreased to Rm. 456 million, and the decline continued in 1936 to Rm. 360 million. The decrease in revenues in 1935 and 1936 occurred while the economy grew. Therefore, it must have been the result of a reduction in the number and business of local public utilities as a consequence of privatization (Sweezy, 1941, p. 33).

¹⁵ Baumgarten (1937, pp. 826-7), League of Nations (1938, p. 92), Reimann (1939, p. 181), Barkai (1990, p. 216).

¹⁶ Kruk (1936a, p. 319) and Reichs-Kredit-Gesellschaft (1937, p. 55).

¹⁷ The ship-owners of Hamburg joined the Nazi party as a group. The head of the oldest shipping concern in Hamburg explained to Lochner (1954, p. 220-221) that the decision by the ship-owners of Hamburg to join the Nazi Party was not out of ideological conviction but to avoid interferences from the Nazi Party in the business.

¹⁸ Kruk (1936a, p. 319) and Reichs-Kredit-Gesellschaft (1937, p. 55).

¹⁹ *The Vereinigte Industrie Unternehmungen A. G.* of Berlin (VIAG) was the holding concern by which the German government controlled its property in banking and industrial undertakings. These undertakings comprised the Reichs-Kredit-Gesellschaft, various electrical concerns which make the German Government the second largest producer of electricity in Germany; the *Vereignite Aluminium-Werke*, one of the biggest aluminum producers of the world; and a number of other concerns producing bicycles, gun metal, nitrogen, ships, etc. According to *The Economist* [June 16 1934, 118(4738), p. 1308], in contrast to many Government enterprises elsewhere, the subsidiaries of VIAG were run on strictly commercial lines, and most of the companies always had profits.

²⁰ *Der Deutsche Volkswirt*, July 9, 1937 [11 (41), p. 2021].

III. Transferring to private hands the delivery of public services.

Besides the transfer to the private sector of public ownership in firms, the Nazi government also transferred many public services (some long established, others newly created) to special organizations: either the Nazi party and its affiliates²¹ or other allegedly independent organizations which were set up for a specific purpose (Nathan, 1944a, p. 321). In this way, delivery of these services was privatized.²²

Work related services. *Die Deutsche Arbeitsfront* (German Labor Front) was not part of the machinery of the State, but a legally independent organization of the Nazi Party (Guillebaud, 1939, p. 194).²³ It was in charge of delivering services—some of them previously delivered by the public administration—such as supervision of vocational training, inspection of factories regarding issues of health in the workplace, amenities, etc.²⁴ Its 'recommendations' had a compulsory character (Guillebaud, 1939, p. 195). Membership, also theoretically voluntary, was in fact compulsory. The fees received from the workers and the employees made substantial resources available for Labor Front use. According to Guillebaud (1941, p. 37) its revenue in 1937 was Rm. 360 million. Estimates in Nathan (1944b, p. 94) are lower: Rm. 240 million in 1937. Either scenario gave to the Labor Front huge wealth and political power.

Social services. Public welfare, largely under the jurisdiction of local and district authorities before 1933, was partly transferred by the Nazi government to affiliates of the Nazi party. Particularly to the *Nationalsozialistische Volkswohlfahrt* (National Socialist People's Welfare Organization—NSV). The most important activity was the *Winterhilfe* (Winter Help), the distribution of money and goods among the poorest population. NSV was funded with a fee charged on the earnings of employed workers, and with quasi-compulsory levies in cash or in kind from farmers, peasants, employers and the middle classes generally (Guillebaud, 1941, pp. 96). Financial control of the Winter Help was in the hands of the Treasurer of the Nazi Party (Pollock, 1938, p. 164), and the compulsory character of the contributions was so clear that they have been

²¹ Pollock (1938, p. 43-68) provides an extensive revision of the organizational characteristics of the Nazi Party holding of organizations.

²² Nathan (1944a, p. 321) also points out that Education no longer remained the exclusive function of the public school system, but was shifted in part to the Hitler Youth Organization.

²³ Völtzer (135, pp. 4-6) offers a thorough revision of the German Labor Front legal configuration.

²⁴ Besides, it also delivered new services such as the leisure program *Strength through Joy* (*Kraft durch Freude*). These are of less interest to our analytical purposes.

considered an additional source of fiscal revenues (Balogh 1938, 472). In 1933/34 the NSV realized 350 million marks, which in 1936/37 grew to 408.3 million marks (Pollock, 1938, p. 138; Guillebaud, 1941, pp. 97). Estimates in Nathan (1944b, p. 94) give figures of Rm. 340 in 1934/35 and 370 after 1937. Reichs-Kredit-Gesellschaft (1939, p. 101) gives an estimate of Rm. 400 million in 1938, according to official statistics.

As explained in *The Banker* (1937, p. 171), the German government had provided Winter Help before the Nazi regime. A comparison between the expenditures of the Reich Winter Relief in 1931 and the Nazi Winter Relief in 1933 “shows that this new Nazi organisation has not provided in Winter Help more than the former contribution made by the Reich alone....Under the Nazi system a huge apparatus has been created to carry out a service formerly provided as a ‘side-line’ by private and public bodies.” (p. 171). In short, delivered by private and public bodies before the Nazi regime, Winter Help was completely privatized by the Nazi government and was transferred to a Party Organization. The funding of the service was based on a compulsory scheme of fees and levies. Because of this, the Reich Budget was relieved of the expenditure implied by this social service program.

IV. An assessment of the quantitative relevance of Nazi privatization.

In the late 1930s and the early 1940s, academic works that mentioned operations of privatization with some detail (e.g. Poole, 1939; Sweezy, 1941; Lurie, 1947) used basically one source of documentation: The report *Germany's Economic Situation at the Turn of 1936/37*, published in English in 1937 by the German state owned bank Reichs-Kredit-Gesellschaft.²⁵ Page 55 of this report displays summary information about four reprivatizations, affecting the German Shipbuilding and Engineering Co., the United Steel Trust, the Hamburg-South American Shipping Company, and the Commerz –und Privatbank. The information included the approximate date of the operations and, in some cases, the amount of Reichsmarks involved.

As mentioned, the German budget for the fiscal year 1934/35 was the last one for which detailed information was published (Pollock, 1938, p. 121), and no detailed information on

²⁵ Along with the Reichs-Kredit-Gesellschaft (1937) report, Sweezy (1941, p. 32) did also use the 1938 report of the League of Nations *Money and Banking 1938*, that provided some additional information for reprivatization of banks. As it happened with the information published in Reichs-Kredit-Gesellschaft (1937), the information provided by the League of Nations took usually news and analysis published in *Der Deutsche Volkswirt* as source.

financial operations was published thereafter. With the end of detailed public budgets in 1935, *Der Deutsche Volkswirt* became the primary source for information about privatization in Germany. The editorial page for that paper was considered a press organ for Hjalmar Schacht,²⁶ appointed head of the Reichsbank by Adolf Hitler and then, in 1934, Minister of Economy. *Der Deutsche Volkswirt* provided detailed information on the Ministry's position on reprivatization and its implementation.²⁸

In fact, two articles published by Max Kruk (1936a, 1936b) in late 1936 provided the information mentioned in Reichs-Kredit-Gesellschaft (1937). The information in the earlier article (1936a) is more complete in respect to the financial characteristics of the operations. In addition to this, several articles and news reports published in *Der Deutsche Volkswirt* later in 1937 provide information on operations of privatization implemented throughout 1937.²⁹ Based on all this material, it has been possible to gather quantitative information on many of the privatizations implemented at the Reich level after the 1934/35 Budget up to the end of 1937.

Table 1 presents an estimate of the proceeds from privatization. This estimate is necessarily of minimum amounts, since (1) no detailed information is available from the Budget after 1934/35, and (2) some operations may have been implemented but could be absent from the sources of information used. Estimates presented in table 1 show that between the fiscal years 1934/35 and 1937/38 privatization was an important source of revenues for Germany's Treasury. In the period as a whole, privatization proceeds were almost 1.4 per cent of total fiscal revenues.

Table 1. Privatization proceeds in Nazi Germany. April 1934- March 1938.

Period	Proceeds from privatization Million Reichsmark (1)	Fiscal revenues Million Reichsmark (2)	(1) / (2) in %
1934/35 & 1935/36	242.6	17,877	1.36%
1936/37 & 1937/38	352.9	25,456	1.39%
April 1934/March 1938	595.5	43,333	1.37%

Notes: * Fiscal years begin in April and end in March

* Data are aggregated in biannual periods because original information does not allow distinguishing the precise fiscal year in which some operations were effective.

Sources: * Privatization revenues: Author's, based on information published in *Der Deutsche Volkswirt*, Reichs-Kredit-Gesellschaft (1937), League of Nations (1938), Baumgarten (1937) and Kruk (1936a, 1936b).

* Fiscal revenues: Reichs-Kredit-Gesellschaft (1939, p. 98). Yearly figures are as follow (million Reichsmark): 1934/35: RM 8,223; 1935/36: RM 9,654; 1936/37: RM 11,492; 1937/38: RM 13,964.

²⁶ *The Economist*, April 18, 1936 [123 (4834), p. 127]

²⁸ See, for instance, the editorial page in *Der Deutsche Volkswirt*, April 9, 1936 [10 (28), p. 1315].

²⁹ For instance, *Der Deutsche Volkswirt*, July 9, 1937 [11 (41), pp. 2020-21] and Baumgarten (1937).

How important were privatization proceeds in 1930s Germany? It is not possible to compare them with those in other European countries, since German privatization policy was an exception. However, it is possible to compare Germany's figures in the mid-thirties with figures from the European Union countries in late nineties (former EU-15). For purposes of comparison, we can take the period of four fiscal years 1997-2000. It is worth saying that this 4-year period saw the most exuberant proceeds from privatization experienced by all the former EU-15 countries except the United Kingdom, where privatization was almost over by the middle nineties.

Figure 1 shows the ratio (privatization proceeds/fiscal revenues) in all countries in former EU-15 for the period 1997-2000, as well as this ratio for 1934-37 Germany. The ratio is presented as a percentage, and the raw data is presented in table A-1 in the appendix. The ratios obtained for Luxembourg, the United Kingdom, the Netherlands,³⁰ Belgium and Germany in this period are well below the Nazi Germany ratio. Denmark's ratio is slightly above, and the other nine countries clearly exceed Germany's ratio. Overall, the relative dimension of privatization proceeds in 1934-37 Germany is close to the ratio for the EU-15 in 1997-2000, 1.79 per cent.³¹ It is interesting to note that, in the case of Germany, even though 1997-2000 is the period with largest absolute proceeds, the ratio is 0.65, which is less than half the ratio for Germany in 1934-37. The fiscal relevance of privatization proceeds to 1934-37 Germany can hardly be denied. Particularly, if we recall that the estimation here is a minimum.

While sales of public ownership provided revenue, privatization of public services was an important source of fiscal relief for the German Treasury, since funding for such programs was based on an effectively compulsory scheme of fees and levies, as explained above. Table 2 shows the relative dimension of the funds privately managed through programs related to work and to social services. Indeed, as a percent of fiscal revenues the expenditures avoided to the Treasury were quite relevant.

³⁰ Caution has to be made that, in the case of the Netherlands, there had been important privatization proceeds in 1996. Therefore, taking a period larger than 1997-2000 would increase the ratio in the Netherlands. This is not the case in the other countries in figure 1. As already mentioned, the UK ratio is not comparable.

³¹ If we do not take into account the UK, the EU-14 ratio would be 2.05 per cent.

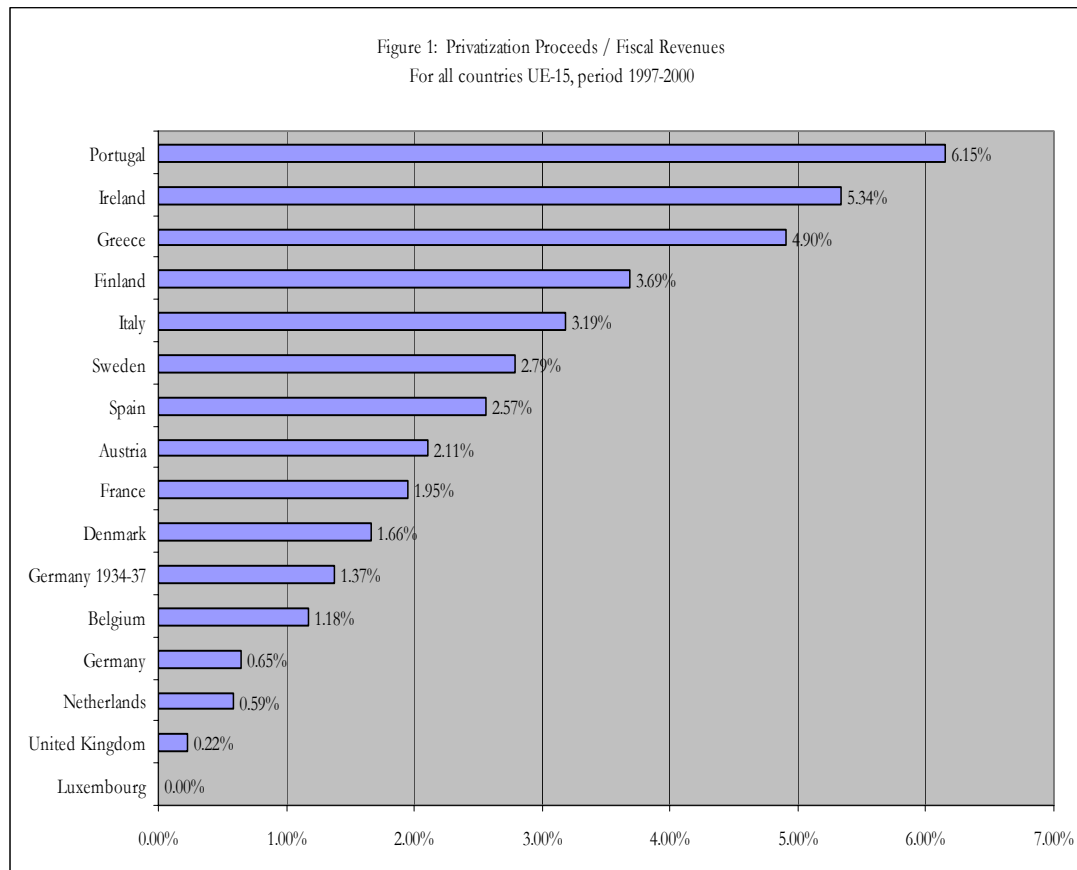


Table 2 Funds privately managed for delivery of public services.

Public Service	Delivered by	Million Reichsmark	Equivalent to % Fiscal Revenues
Work related services	Labor Front	(Min) ^A 240	2.1%
		(Max) ^B 360	3.1%
Social services	National Socialist Welfare Organization NSV	(Min) ^A 370	3.2%
		(Max) ^{B,C} 408	3.6%

Notes: Estimates are for 1937.

Sources: Author's, based on: Funds managed: ^A Nathan (1944b); ^B Guillebaud (1941); ^C Pollock (1938).
Fiscal revenues: Reichs-Kredit-Gesellschaft (1939).

V. Visions of Nazi privatization in the economic literature of the late 1930s and 1940s

Privatization policy in Germany was discussed in the late 1930s and the 1940s in academic works such as Poole (1939), Guillebaud (1939), Stolper (1940), Sweezy (1941), Merlin (1943), Neumann (1942, 1944), Nathan (1944a), Schweitzer (1946), and Lurie (1947). Most of these works analyzed these issues within the framework of the controversy between two positions (Schweitzer, 1946, pp. 99-100) that held either that private property and property rights were left untouched by the Nazis or that the Nazis destroyed such rights.

On one hand, the intense growth of governmental regulations on markets, which heavily restricted economic freedom, suggests that the rights inherent to private property were destroyed. As a result, privatization would be of no practical consequences since the state assumed full control of the economic system (e.g. Stolper, 1940, p. 207). On the other hand, the activities of private business organizations and the fact that big businesses had some power seemed to be grounds to infer that the Nazis promoted private property. Privatization, in this analysis, was intended to promote the interests of the business sectors supportive of the Nazi regime and the Nazi elites (e.g. Sweezy, 1941, pp. 27-28; Merlin, 1943, p. 207; Neumann, 1944, p. 298).

Guillebaud (1939, p. 55) stresses the idea that the Nazi regime wanted to leave management and risk in business in the sphere of private enterprise, subject to the general direction of the government. Thus, “the State in fact divested itself of a great deal of its previous direct participation in industry....But at the same time state control, regulation and interference in the conduct of the economy affairs was enormously extended.” Guillebaud (1939, p. 219) felt that National Socialism was opposed to state management, and saw it as a “cardinal tenet of the Party that the economic order should be based on private initiative and enterprise (in the sense of private ownership of the means of production and the individual assumption of risks) though subject to guidance and control by state.” This can be seen as the basic rationale for privatization in Guillebaud’s analysis.

Perhaps the most suggestive work on privatization in Nazi Germany was Maxine Sweezy’s (1941) *The Structure of the Nazi Economy*. On one hand, Sweezy endorses the idea that Nazi privatization was a policy applied “In return for business assistance” (Sweezy, 1941, p. 27). In Sweezy’s view, the Nazis paid back industrialists who supported Hitler’s accession to power and

his economic policies “by restoring to private capitalism a number of monopolies held or controlled by the state” (p. 27). This policy implied a large-scale program by which “the government transferred ownership to private hands” (p. 28).

On the other hand, to explain Nazi privatization Sweezy puts forward an interesting hypothesis consistent with the macroeconomic design of Nazi economic policy. He argues that one of the main objectives for the privatization policy was to stimulate the propensity to save, since a war economy required low levels of private consumption.³² High levels of savings were thought to depend on inequality of income, which would be increased by inequality of wealth. This, according to Sweezy “was thus secured by ‘reprivatization’.... The practical significance of the transference of government enterprises into private hands was thus that the capitalist class continued to serve as a vessel for the accumulation of income.” (Sweezy, 1941, p. 28).

Consistent with Sweezy’s approach, Merlin (1943, p. 207) states that Germany’s Nazi Party was looking not only for business support, but also for increased Nazi control over the economy. In this way, privatization was seen as a tool in the hands of the Nazi Party to “facilitate the accumulation of private fortunes and industrial empires by its foremost members and collaborators.” This would have intensified centralization of economic affairs and government in an increasingly narrow group that Merlin termed “the national socialist elite.” (p. 207).

Early analysis of Nazi privatization explicitly pointed out that German privatization of the 1930s was intended to benefit the wealthiest sectors and enhance the economic position of and political support from the elite. This interpretation was made within a framework dominated by the idea that big industrialists strongly supported the Nazi Party and Hitler’s accession to power. The next section discusses these issues. Thus far, regardless of specific interpretations, it is clear that a wide privatization policy was applied in Germany in the mid-thirties and that analysts and researchers of the time saw privatization as an important policy. Even international organizations, such as the League of Nations, took note,³³ and international interest was reflected in change in

³² In fact, private consumption in terms of national income decreased from 83 per cent in 1932 to 59 per cent in 1938 [Overy, 1982, p. 34].

³³ Thus, the 1937/38 League of Nations report on banking and finance conditions commented that “The process known as ‘reprivatisation’ of the big Berlin banks by the purchase on behalf of private persons of their shares held by the State of public corporations since the reconstruction following the 1931 crisis was completed by the end of 1937.” [League of Nations, 1938, p. 92]

the English language. In the middle thirties the German term '*reprivatisierung*', and the associated concept, were brought into English in the term 'reprivatization' (Bel, 2006).

VI. Analyzing the Objectives of Nazi Privatization

Contemporary economic literature has shown the multiplicity of objectives targeted with privatization policies (Vickers and Yarrow, 1988, 1991). The analysis of privatization usually identifies three types of objectives in the recent privatization processes: (1) Ideological motivations; (2) Political motivations; (3) Pragmatic (economic) motivations.

VI.a. Ideological motivations: Did the Nazi Government use privatization to change the way in which society was organized? Privatization was not a policy included either in the Nazi Party electoral manifestos or in the successive revisions of the Economic and Social Program approved in 1920 by the Nazi Party.³⁴ On the contrary, among the 25 points in this Program, points 13 and 14 included proposals of nationalization of trusts and banks (Stolper, 1940, p. 232; Barkai, 1990, p. 23). Proposals of nationalization were also recurrent in the Nazi electoral manifestos. Hence, privatizing state owned firms was contrary to the Nazi economic program and election proposals.

Nazi policy was heavily dependent on Hitler decisions. Hitler's did not make specific comments on nationalization or denationalization in *Mein Kampf*. Even if Hitler was an enemy of free market economies (Overy, 1994, p. 1), he could by no means be considered a sympathizer of economic socialism or nationalization of private firms (Heiden, 1944, p. 642). The Nazi regime rejected liberalism, and was strongly against free competition and regulation of the economy by market mechanisms (Barkai, 1990, p. 10). Still, as a social Darwinist, Hitler was reluctant to totally dispense with private property and competition (Turner, 1985a, p. 71; Hayes, 1987, p. 71). Hitler's solution was to combine autonomy and a large role for private initiative and ownership rights within firms with the total subjection of property rights outside the firm to state control. As pointed out in Nathan (1944a, p. 5) "It was a totalitarian system of government control within the framework of private property and private profit. It maintained private enterprise and provided profit incentives as spurs to efficient management. But the traditional freedom of the entrepreneur was narrowly circumscribed." In other words, there was private initiative in production process,

³⁴ According to Stolper (1940, p. 231), "this program has remained the spiritual foundation of the movement. It is being taught in every school, referred to in all training courses of all the various units of the party. It constitutes, together with *Mein Kampf* by Hitler, the directing force of the intellectual concept and trend of the party"

but no private initiative was allowed in the distribution of the product. Owners could freely act within their firms, but they were extremely restricted in the market.

Given this combination of private ownership within firm and extreme state control outside the firm, the core question here is whether Hitler was against public property or ideologically favorable to privatization. On this issue, it is interesting to note two interviews in May and June 1931, in which Hitler explained to Richard Breiting, editor of the *Leipziger Neueste Nachrichten*, his aims and his plans on condition of confidentiality (Calic, 1971, p. 11). With respect to his position with regard to private ownership, Hitler explained that “I want everyone to keep what he has earned subject to the principle that the good of the community takes priority over that of the individual. But the state should retain control; every owner should feel himself to be an agent of the State....The Third Reich will always retain the right to control property owners.” (Calic, 1971, p. 32-33). Another indication of Hitler’s position on the state ownership of the means of production is found in Rauschnig³⁵ (1940, pp. 192-3), that reports the following answer by Hitler when questioned on socialization: “Why bother with such half-measures when I have far more important matters in hand, such as the people themselves? . . .Why need we trouble to socialize banks and factories? We socialize human beings.”

It seems clear that neither the Nazi Party nor Hitler had an ideological devotion to private ownership.³⁶ In his theoretical work on the relationship between politicians and firms, Shleifer and Vishny (1994, p. 1,015) have stressed that anti-market governments are compatible with privatization, as long as they can retain control over the firms through strong regulation. Nazi privatization in the middle thirties is consistent with Shleifer and Vishny’s proposition 15 (1994, p. 1,021). As suggested in Temin (1991), property ownership was instrumental for Nazis. Hence, it is not likely that ideological motivations played a relevant role as a rationale for Nazi privatization.

VI.b. Political motivations. Did the Nazi Government use privatization as a tool to obtain political support? The idea that industrialists massively supported the Nazi accession to power was widely accepted in the early literature on Hitler’s rise to power. Nonetheless, this position was by

³⁵ Hermann Rauschnig was National Socialist President of the Danzig Senate in 1933-34. Later on, he was expelled from the Nazi Party.

³⁶ In fact, Nazis used nationalization when they considered it convenient. It is widely known the case of the nationalization of two aircraft companies, the Arado and Junkers firms [Homze (1976, p. 192-3)]. Less known is the case of the nationalization, for incorporation in the Reich Railways Company, of the private Lübeck-Büchener and Brunswick Landes Railways [*The Economist*, November 20, 1937, 129 (4917), p. 369].

no means unanimous, and there was early opposition to it (e.g. Drucker, 1939, pp. 130-131; Lochner, 1954). Following Turner's more recent work (especially, Turner 1985b) it is widely accepted that Hitler only achieved wide support among industrialists when his accession to power was seen as unavoidable, from about the mid-1932 (Barkai, 1990, p. 10).

The fact is that Nazis came into power with limited parliamentary support³⁷ and facing great difficulty in establishing stable alliances. In addition, fighting unemployment was their top priority, and that required big business cooperation (Overy, 1982, p. 40). As stressed in Barkai (1990, p. 114) Hitler did not want to frighten the economy. Consequently, the new regime labored to disarm business mistrust (Hayes, 1987, p. 33).

After the Nazis came into power, it did not take long for the government to produce official statements against nationalization. In 12 February 1933, Mr. Bang, an important advisor within the team of the State Secretary of Public Economics, Alfred Hugenberg, publicly stated that "The policy of nationalization pursued in the last years will be stopped. The state owned enterprises will be transformed again into private firms."³⁸ It is worth noting that Hugenberg was not a member of the Nazi Party. In fact, most of the members of the first Hitler cabinets did not belong to the Nazi party. Indeed, these cabinet members were representative of the conventional right wing parties (before they were suppressed in July 1933) and had strong ties with German industrialists.

No doubt, the paradigmatic example of the non-Nazi and business connected policymaker was Hjalmar Schacht, head of the Reichsbank and Minister of Economy. Schacht was considered the 'economic fuhrer' ³⁹ in the first Hitler governments. Commenting on his own position in the government, Schacht (1949, p. 78) recalled that "Inside the party there was a strong movement to bring more and more industries into the hands of the state....Private insurance companies were

³⁷ The Nazi Parliamentary Group gathered 196 out of 584 seats (33.6 per cent) when Hitler was appointed Chancellor in January 1933. Subsequent elections in March 1933 gave the Nazi Party 288 out of 647 seats (44.5 per cent). Data on Nazi parliamentary representation can be found in Lochner (1954, p. 23).

³⁸ *Le Temps*, 12 Février 1933, p. 2.

³⁹ The peak in Schacht's power was parallel with his public speeches in 1935 defending the principles of capitalism: in Königsberg in August (*The Economist*, August 24 1935, 121 (4800), p. 366) and in the Academy for German Law in December (*The Economist*, December 7 1935, 121 (4815), p. 1124). The period of Schacht's maximum strength was coincident with the period in which most privatization operations were implemented. Schacht's power decreased through 1937, and it was finally over when Hermann Göring took control over the economic policy. Schweitzer (1964, p. 610) contains a detailed chronogram of Schacht's power rise and decline. When the resignation of Schacht was officially announced in November 1937, the reprivatization process was already over.

particularly conscious of this threat and they approached me to secure my intervention with Hitler in the matter....Here, too, my intervention was successful.” It is clear that Schacht’s power was based on a warranty given by Hitler to the big business community of friendly economic policies and governmental attitudes towards big business interests.

It is likely that privatization—as a policy favorable to private property—was used as a tool for fostering the alliance between Nazi government and big industrialists. The government sought to win support for its policies from big business, even if most industrialists had been reluctant to support the Nazi party before it took power.

Policies followed in the financial sector provide evidence of privatization potential as a tool to enhance political support. Several radical Nazi Party officers appearing before the Banking Investigation Committee, which analyzed the reorganization of the banking sector, proposed nationalization of the entire banking system in accordance with the Nazi Economic and Social Program and the Nazi Electoral Manifesto. On the other side, the top echelons of the Nazi government’s finance offices joined representatives of private banks in proposing to strengthen regulation of the banking system while preserving private property. The hypothesis of an alliance between Nazi leadership and private financial groups to fill governmental positions and save the system of private property has been stressed in Feldman (2004, p. 21).

In the end, the Banking Investigation Committee recommended strengthening public supervision and control of private banking and creating new restrictions on the creation of credit institutions and the exercise of the banking profession (Lurie, 1947, p. 62). These recommendations were implemented through the German Bank Act of 1934, which allowed the government to exercise tight control over private banks. Regulating banking appeared to the regime as a safer and more economically sound alternative to proposals by party radicals for controlling finance through socialization (James, 1995, p. 291). Afterwards, and consistent with the theoretical insights of Shleifer and Vishny (1994), the reprivatization of the big commercial banks (Deutsche Bank, Commerz-Bank, and Dresdner-Bank) was implemented within the new regulatory framework. The alliance of financial interests and top economic echelons in the government held the reprivatization of state owned banks as one of its top priorities.

The reprivatization of United Steel Works, which put Fritz Thyssen in the leading position in the trust, appears to be an example of the use of privatization to increase political support. It is worth remembering that Thyssen had been one of the only two big industrialists to support the Nazi Party before it became the most powerful party on the political scene. Another privatization that can be linked to politics is the sale in September 1936 of publicly owned shares of *Hamburg-Südamerika* to a Hamburg Syndicate once the ship-owners of Hamburg joined the Nazi party as a group.⁴⁰

Finally, it is clear that the privatization of public services such as work related services and social services had political objectives. Several Nazi organizations were put in charge of delivering these services. No doubt, this fostered support for the Nazi Party among the beneficiaries of those services. In addition, the Nazi Party and its members could use the huge volume of resources passing through such programs for political patronage and corruption.⁴¹

VI. Pragmatic (economic) motivations. Did the Nazi Government use privatization to advance its economic policy? In general terms, the main characteristics of Nazi economic policy were (1) the growth of government fiscal intervention in the German economy through ambitious programs that involved huge public expenditure, and (2) a tightly regulated economy, through more intense restrictions and controls on markets. The first shock of public expenditures came in public works—particularly the construction of highways—intended to fight unemployment. Soon after these projects were in place, expenditures on armaments began their growth. According to The Banker (1937, p. 114), increased expenditures after 1933/34 were basically taken up by armament programs. These are the main policies that explain the evolution of public expenditure in Nazi Germany.

⁴⁰ Biais and Perotti (2002) analyze the use of privatization to get political benefits within a framework in which, in order to obtain political support, governments choose between privatization and fiscal redistribution as tools to raise political support. Nazi macroeconomic policy implied an intense increase of taxation, so there was not much room for using fiscal policy to provide benefits in exchange of political support. In fact, fiscal revenues from corporate tax grew by 1,365 per cent between 1932/33 and 1937/38, whereas total fiscal revenues grew by 110 per cent in the same period. [Reichs-Kredit-Gesellschaft (1939, p.62)]

⁴¹ Theoretical work on privatization in Hart, Shleifer and Vishny (1997) suggests that rent seeking politicians are more prone to use political patronage with public production, whereas contracting out and private production are more prone to provide financial rents. Interestingly enough, privatization of public services by franchising to Nazi organizations put together in the hands of the Nazi elite both ways of extracting rents.

As early as in April 1934, *The Economist* reported that military expenditures were forcing the Minister of Finance to look for new resources. At that time, “Railway preference shares are to be sold to the extend of Rm. 224 millions. The Reich property, which is to be ‘liquidated’ to yield Rm. 300 millions, is not identified.”⁴²

As mentioned above, 1934/1935 was the last fiscal year for which detailed information on the Budget was officially published. Nonetheless, pieces of financial information were randomly published in various outlets. Putting together these pieces, *The Banker* (1937, p. 113) published data on public expenditures, including its own calculations for 1935/36 and 1936/37 based on official figures. Column (1) in table 3 shows these estimates. Column (2) shows data on fiscal revenues for these fiscal years. Column (3) shows national income in the year in which most of the fiscal year took place.

Table 3. Public Expenditure and Fiscal Revenue 1932/33–1936/37. Thousand million (billion) Reichmark

Fiscal year	(1) Public Expenditure	(2) Fiscal Revenues	(2)/(1) in %	(2) – (1)	(3) National Income	(2)-(1)/(3) in %
1932/33	6.7	6.65	99.2%	- 0.05	45.2	0.0%
1933/34	9.7	6.85	70.6%	- 2.85	46.5	6.1%
1934/35	12.2	8.22	67.4%	- 3.98	52.7	7.6%
1935/36	16.7	9.65	57.8%	- 7.05	58.6	12.0%
1936/37	18.8	11.49	61.1%	- 7.31	64.9	11.3%

Notes: Data of Public Expenditure for 1936/37 are estimated.

Data for National Income refer to the year in which most of the fiscal year takes place (e.g. National income of 1932 for fiscal year 1932/33).

Sources: (1) Public Expenditure: *The Banker* (1937, p. 113).

(2) Fiscal revenues: Reichs-Kredit-Gesellschaft (1939, p.98).

(3) National income: Reichs-Kredit-Gesellschaft (1939, p.61)

From table 3 it is clear that the increase in public expenditure caused a sharp reduction in the ability of fiscal revenues to cover expenditures. The public deficit as a percentage of national income increased to exceptional figures. This evolution put the German Treasury under intense pressure. Nathan (1944b, p. 41-ff) distinguished three different periods in pre-war Nazi financial policy: (1) The period of short-term financing, 1933-35; (2) The period of “Debt Consolidation”, 1935-38; and (3) The period of maximum mobilization. Of the two ways to proceed with debt consolidation, one was turning short term debt into long term debt. The second was to obtain additional resources from, for instance, the sale of state-owned shares in firms. Indeed, it was

⁴² *The Economist*, April 7, 1934 [118 (4728), p. 763]

during Nathan's second period (1935-38) when the sale of state-owned shares in most public enterprises took place.

The Banker made explicit connections between increasing financial constraints and the sale of government shares. For instance, when commenting that in the fiscal year 1935/36 the demands on the Treasury increased rapidly because of the huge increase in the expenditure on armaments, *The Banker* (1937, p. 112) wrote that "about 500 million marks was obtained by contributions from the unemployment insurance, by more or less forced gifts, and by the sale of government shares" (p. 112). Later in the same issue (1937, p. 131) the report added that, "Now that the control over the banks is complete and final the Government is no longer interested in holding their shares. Rising prices have enabled the Government to dispose of large amounts of Commerzbank shares and the Golddiskontbank has sold some of its Deutsche Bank shares."

The franchising of public services to Nazi organizations, shows a similar relationship between financial constraints and increasing revenues from privatization. Nathan (1944a, p. 322) remarks that all these organizations derived most of their income from special contributions, collections fees, etc. that were outside the public budgets. Indeed "They were important as a source of public revenue since they relieved the government of expenditures which it itself otherwise would have had to carry." Undoubtedly, this was consistent with Nazi fiscal policy, since "Without the revenue of these unusual sources, the total amount of public borrowing would necessarily have been considerably higher – a development which the government was very eager to avoid" (1944a, p. 331).

Nazi economic policy implied a sharp growth of public expenditure. The intensity of this increase was unique among the Western capitalist countries in the pre-war period. Consistent with this, financial policy was subject to strong restrictions, and exceptional methods were devised to obtain resources. In fact, Schacht was considered more a financial technician than an economist (Thyssen, 1941, p. 138). Privatization was one of these exceptional mechanisms. In his useful panoramic analysis of the modern privatization processes, Yarrow (1999) notes the general and widespread priority given to financial objectives within this framework of multiple and coexisting objectives. Nazi privatization in the middle of the thirties was similar to modern experience in that financial objectives played a central role.

VII. Conclusions

Although modern economic literature usually fails to notice it, the Nazi government in 1930s Germany undertook a wide scale privatization policy. The government sold public ownership in several state-owned firms in different sectors. In addition to this, delivery of some public services previously produced by the public sector was transferred to the private sector, mainly to organizations within the Nazi Party.

Ideological motivations do not explain Nazi privatization. On the contrary, political motivations were important. The Nazi government may have used privatization as a tool to improve its relationship with big industrialists and to increase their support for Nazi policies. Privatization was also likely used to enhance more general political support to Nazi party. Finally, financial motivations did play a central role in Nazi privatization. The proceeds from privatization in 1934-37 had relevant fiscal significance: Not less than 1.37 per cent of total fiscal revenues were obtained from selling shares in public firms. Moreover, the government avoided including a huge expenditure in the budget by using outside-of-the-budget tools to finance the public services franchised to Nazi organizations.

Nazi economic policy in the middle thirties was against the mainstream in several dimensions. The huge increase in public expenditure programs was unique, as was the increase in the armament programs, and together they heavily constrained the budget. To finance this exceptional expenditure, exceptional policies were put in place. Privatization was just one among them. It was systematically implemented in a period in which no other country did so, and this drove Nazi policy against the mainstream, which flowed against privatization of state ownership or public services until the last quarter of the twentieth century.

*Table A-1. Privatization proceeds and fiscal revenues in the EU countries (former EU-15) 1997/2000.
Thousand million (billion) US\$*

Country	Privatization proceeds (1)	Fiscal revenues (2)	(1) / (2) in %
Austria	7.13	338.65	2.11%
Belgium	5.35	454.22	1.18%
Denmark	4.68	281.24	1.66%
Finland	8.39	227.61	3.69%
France	50.63	2,600.10	1.95%
Germany	18.97	2,915.75	0.65%
Greece	11.62	237.05	4.90%
Ireland	6.31	118.25	5.34%
Italy	74.41	2,335.85	3.19%
Luxembourg	0.00	29.28	0.00%
Netherlands	3.87	654.98	0.59%
Portugal	14.09	229.04	6.15%
Spain	26.35	1,026.71	2.57%
Sweden	12.71	455.98	2.79%
United Kingdom	4.54	2,023.55	0.22%

Sources: Author's based on:

(1) Privatization proceeds: Clifton, Comín and Díaz Fuentes (2003, p. 95).

(2) Fiscal revenues: Organization for Economic Cooperation and Development (2005).

References

- Aharoni, Yair. 1986. *The Evolution and Management of State Owned Enterprises*. Cambridge (MA): Ballinger Publishing Company.
- Balogh, Thomas. 1938. "The National Economy of Germany." *Economic Journal*, September 48(191), 461-497.
- The Banker, 1937. "Germany. The Results of 4 Years of National Socialism," *The Banker*, February, 41 (133), pp. 104-177.
- Barkai, Avraham 1990. *Nazi Economics. Ideology, Theory and Policy*. Oxford: Berg Publisher (First edition in German, 1977).
- Baumgarten, Hans 1934. "Widerschein der Bankbilanzen." *Der Deutsche Volkswirt*. June 15, 10:35, pp. 1642-1645.
- Baumgarten, Hans 1937. "Großbanken auf dem Weg der Reprivatisierung," *Der Deutsche Volkswirt*, January 22, 11: 17, pp. 826-827.
- Bel, Germà. 2006. "The coining of 'privatization' and Germany's National Socialist Party," *Journal of Economic Perspectives*, 20 (2), (forthcoming).
- Biais, Bruno and Enrico C. Perotti, 2002. "Machiavellian privatization," *American Economic Review*, 92 (1), pp. 240-258.
- Braun, Hans-Joachim, 2003, *The German Economy in the Twentieth Century*. London: Routledge (1st. edition Routledge, 1990).
- Buchheim, Christoph and Jonas Scherner, 2005, *The Role of Private Property in the Nazi Economy: The Case of Industry*. University of Mannheim, Mimeo.
- Burk, Kathleen, 1988. *The First Privatisation*. London: The Historian's Press.
- Calic, Edouard, 1971. Unmasked. Two Confidential Interviews with Hitler in 1931. London: Chatto & Windus (1st edition in German, *Ohne Maske*, Frankfurter Societäts-Druckerei GmbH, 1968)
- Clifton, Judith, Francisco Comín and Daniel Díaz Fuentes. 2003. *Privatisation in the European Union*. Dordrecht: Kluwer Academic Publishers.
- Dessauer, Marie. 1935. "The German Bank Act of 1934." *Review of Economic Studies*, June 2(3), pp. 214-224.
- Drucker, Peter F. 1939. *The End of Economic Man*. New York: The John Day Company.
- Ellis, Howard S. 1940. "German Exchange Control 1931-1939: From an Emergence Measure to a 'Totalitarian Institution.'" *Quarterly Journal of Economics*. August, 54 (4, part 2), pp. 1-158.
- Feldman, Gerald D. 1995. "The Deutsche Bank from World War to World Economic Crisis," in Lothar Gall, Gerald D. Feldman, Harold James, Carl-Ludwig Holtfrerich and Hans E. Büschgen *The Deutsche Bank 1870-1995*, London: Weidenfeld & Nicholson, 130-276.
- Feldman, Gerald D. 2004. "Financial Institutions in Nazi Germany. Reluctant or Willing Collaborators?" in Francis R. Nicosia and Jonathan Huener, Eds., *Business and Industry in Nazi Germany*. New York: Berghahn Books, pp. 15-42.
- Gall, Lothar, Gerald D. Feldman, Harold James, Carl-Ludwig Holtfrerich and Hans E. Büschgen, Eds., 1995. *The Deutsche Bank 1870-1995*, London: Weidenfeld & Nicholson.
- Guillebaud, Claude W. 1939. *The Economic Recovery of Germany 1933-1938*. London: MacMillan and Co. Limited.
- Guillebaud, Claude W. 1941. *The Social Policy of Nazi Germany*. Cambridge: Cambridge University Press.
- Hardach, Karl. 1980. *The Political Economy of Germany in the Twentieth Century*. London: University of California Press (First edition in German, *Wirtschaftsgeschichte Deutschlands im 20. Jahrhundert*. Göttingen: Vandenhoeck und Ruprecht, 1976).

- Hart, Oliver, Andrei Shleifer and Robert W. Vishny 1997. "The Proper scope of government: Theory and an application to prisons," *Quarterly Journal of Economics*, 112 (4), pp. 1127-1161
- Hayes, Peter. 1987. *Industry and Ideology. IG Farben in the Nazi Era*. Cambridge: Cambridge University Press.
- Heiden, Konrad 1944. *Der Fuehrer. Hitler's Rise to Power*. New York: Lexington Press.
- Homze, Edward L. 1976. *Arming the Luftwaffe. The Reich Air Ministry and the German Aircraft Industry 1919-1939*. Lincoln (NE): University of Nebraska Press.
- James, Harold. 1995. "The Deutsche Bank and the Dictatorship 1933-1945," in Lothar Gall, Gerald D. Feldman, Harold James, Carl-Ludwig Holtfrerich and Hans E. Büschgen, Eds., *The Deutsche Bank 1870-1995*, London: Weidenfeld & Nicholson, pp. 277-356.
- James, Harold. 2001. *The Deutsche Bank and the Nazi Economic War Against the Jews*. New York: Cambridge University Press.
- James, Harold. 2004. "Banks and Business Politics in Nazi Germany," in Francis R. Nicosia and Jonathan Huener, Eds., *Business and Industry in Nazi Germany*. New York: Berghahn Books, pp. 43-65.
- Kruk, Max 1936a. "Konsolidierungs-Wege," *Der Deutsche Volkswirt*, November 13, 11 (7), pp. 319-320.
- Kruk, Max 1936b. "Die Kreditmärkte im Konsolidierungsprozeß," *Der Deutsche Volkswirt*, December 24, 11 (13/14), pp. 671-673.
- Kuhlmann, Richard, 1934. "The German Steel Trust- II," *The Economist*, September 1, 119 (4749), pp. 390-392.
- League of Nations, 1936. *Money and Banking 1935/36. Volume II: Commercial Banks*. Geneva: League of Nations.
- League of Nations, 1937. *Money and Banking 1936/37. Volume II: Commercial Banks*. Geneva: League of Nations.
- League of Nations, 1938. *Money and Banking 1937/38. Volume II: Commercial and Central Banks*. Geneva: League of Nations.
- Lochner, Louis P. 1954. *Tycoons and Tyrant. German Industry from Hitler to Adenauer*. Chicago (IL): Henry Regnery Company.
- Lurie, Samuel 1947. *Private Investment in a Controlled Economy. Germany 1933-1939*. New York: Columbia University Press.
- Macmahon, Arthur W. and W. R. Dittmar. 1939. "Autonomous Public Enterprise – The German Railways." *Political Science Quarterly*, December 54(4), 481-513.
- Macmahon, Arthur W. and W. R. Dittmar. 1940. "Autonomous Public Enterprise – The German Railways II." *Political Science Quarterly*, March 55(1), 25-52.
- Marschner, Heinz. 1934. "Zur Neugestaltung des deutschen Nahverkehrs." *Der Deutsche Volkswirt*, February 16, 10:28, pp. 857-860.
- Marx, Fritz Morstein 1937. *Government in the Third Reich*. New York: McGraw-Hill Book Company. (p.
- Megginson, William L. 2005. *The Financial Economics of Privatization*. New York: Oxford University Press.
- Megginson, William L. and Jeffry M. Netter. 2003. "History and Methods of Privatization," in David Parker and David Saal, eds., *International Handbook on Privatization*. Cheltenham: Edward Elgar, pp. 25-40.
- Merlin, Sidney. 1943. "Trends in German Economic Control Since 1933." *Quarterly Journal of Economics*. February, 57:2, pp. 169-207.
- Nathan, Otto 1944a. *The Nazi Economic System. Germany's Mobilization for War*. Durham (NC): Duke University Press.
- Nathan, Otto 1944b. *Nazi War Finance and Banking*. NBER, Occasional Paper 20: April 1944. New York: NBER.

- Neumann, Franz L. 1942, *Behemoth. The Structure and Practice of National Socialism*. New York: Oxford University Press.
- Neumann, Franz L. 1944, *Behemoth. The Structure and Practice of National Socialism 1933-1944*. New York: Harper & Row, Publishers.
- Nicosia, Francis R. and Jonathan Huener, Eds. 2004. *Business and Industry in Nazi Germany*. New York: Berghahn Books.
- Organization for Economic Cooperation and Development, 2005. *National Accounts for OECD Countries Vol. IIIa: Financial Accounts-Flows and Vol. IIIb: Financial Balance Sheets-Stocks, 1993-2004*. Paris: OECD
- Overy, Richard J. 1982. *The Nazi Economic Recovery, 1932-1938*. London: MacMillan Press Ltd.
- Overy, Richard J. 1994. *War and Economy in the Third Reich*. Oxford: Oxford University Press.
- Parker, David and David Saal, Eds. 2003. *International Handbook on Privatization*. Cheltenham: Edward Elgar.
- Perotti, Enrico C. 1995. "Credible privatization," *American Economic Review*, 85 (4), pp. 847-859.
- Pollock, James K. 1938. *The Government of Greater Germany*. New York: D. Van Nostrand Company, Inc.
- Poole, Kenyon E. 1939. *German Financial Policies 1932-1939*. Cambridge (MA): Harvard University Press.
- Rauchsnig, Hermann 1940. *The Voice of Destruction*. New York: G. P. Putnam's Sons.
- Reichs-Kredit-Gesellschaft, 1937. *Germany's Economic Situation at the Turn of 1936/37*. Berlin: Reichs-Kredit-Gesellschaft Aktiengesellschaft.
- Reichs-Kredit-Gesellschaft, 1938. *Germany's Economic Situation at the Turn of 1937/38*. Berlin: Reichs-Kredit-Gesellschaft Aktiengesellschaft.
- Reichs-Kredit-Gesellschaft, 1939. *Germany's Economic Situation at the Turn of 1938/39*. Berlin: Reichs-Kredit-Gesellschaft Aktiengesellschaft.
- Reimann, Guenter 1939. *The Vampire Economy. Doing Business under Fascism*. New York: The Vanguard Press.
- Russell, Claire, 1935. "Reich und kreditwissen," *Zeitschrift Für Die Gesamte Staatswissenschaft*, 96 (1), pp. 175-226.
- Schacht, Hjalmar. 1949. *Account Settled*. London: George Weidenfeld & Nicolson Limited (1st. edition in German, *Abrechnung mit Hitler*. Hamburg: Rowohltverlag, 1948).
- Schweitzer, Arthur. 1946. "Big Business and Private Property under the Nazis," *Journal of Business of the University of Chicago*, 19(2), pp. 99-126.
- Schweitzer, Arthur. 1964. *Big Business in the Third Reich*. Bloomington (IN): Indiana University Press.
- Shleifer, Andrei and Robert W. Vishny 1994. "Politicians and firms," *Quarterly Journal of Economics*, 109 (4), 995-1025
- Stolper, Gustav. 1940. *German Economy 1870-1940*. New York: Reynal & Hitchcock.
- Sweezy, Maxine Y. 1940. "German Corporate Profits: 1926-1938." *Quarterly Journal of Economics*. May, 54:3, pp. 384-398.
- Sweezy, Maxine Y. 1941. *The Structure of the Nazi Economy*. Cambridge (MA): Harvard University Press.
- Temin, Peter , 1991. "Soviet and Nazi Economic Planning in the 1930s," *Economic History Review*, 44 (4), pp. 573-593.
- Thyssen, Fritz. 1941. *I Paid Hitler*. New York: Farrar & Rinehart.
- Toninelli, Pier Angelo, Ed., 2000. *The Rise and Fall of State-Owned Enterprise in the Western World*. Cambridge: Cambridge University Press.
- Turner, Henry A., ed. 1985a. *Hitler. Memoirs of a Confidant*. New Haven (CT): Yale University Press (First edition in German: Wagener, Otto, *Hitler aus Nächster Nähe. Aufzeichnungen Eines Vertrauten, 1929-1932*. Frankfurt/Main: Verlag, 1978).

- Turner, Henry A. 1985b. *German Big Business and the rise of Hitler*. New York: Oxford University Press.
- Vickers, John and George Yarrow. 1988. *Privatization: An Economic Analysis*. London: The MIT Press.
- Vickers, John and George Yarrow, 1991. "Economic perspectives on privatization," *Journal of Economic Perspectives*, 5(2), pp. 111-132.
- Völtzer, Friedrich, 1935. "Vom Werden des Deutschen Sozialismus," *Zeitschrift Für Die Gesamte Staatswissenschaft*, 96 (1), pp. 1-48.
- Wengenroth, Ulrich, 2000, "The Rise and Fall of State-Owned Enterprise in Germany," in Pier Angelo Toninelli, Ed., 2000, *The Rise and Fall of State-Owned Enterprise in the Western World*. Cambridge: Cambridge University Press, pp. 103-127.
- Yarrow, George 1999. "A Theory of Privatization, or Why Bureaucrats Are Still in Business," *World Development*, 27(1), 157-68.
- Yergin, Daniel and Joseph Stanislaw. 1998. *The Commanding Heights. The Battle Between Government and the Marketplace That Is Remaking the Modern World*. New York: Simon & Schuster.